

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

**MESABA AVIATION, INC.,
DBA MESABA AIRLINES,**

Debtor.

Bky. 05-39258 (GFK)
Chapter 11

**DEBTOR'S NOTICE OF HEARING AND MOTION FOR
AN ORDER PURSUANT TO SECTION 365
OF THE BANKRUPTCY CODE AUTHORIZING
REJECTION OF CERTAIN AIRCRAFT LEASES
(PINNACLE AIRLINES, INC.)**

TO: The entities specified in Local Rule 9013-3

1. Mesaba Aviation, Inc., dba Mesaba Airlines ("Debtor"), through its undersigned attorneys, moves the court for the relief requested below and gives notice of hearing.

2. The court will hold a hearing on this motion at **9:30 a.m. on January 10, 2006**, before the Honorable Gregory F. Kishel, Courtroom 7 West, U.S. Courthouse, 300 South Fourth Street, Minneapolis, Minnesota 55415.

3. Any response to this motion must be filed and served not later than January 5, 2006, which is three (3) days before the time set for the hearing (excluding Saturdays, Sundays, and holidays), or filed and served by mail not later than December 29, 2005, which is seven (7) days before the time set for the hearing (excluding Saturdays, Sundays and holidays). **Unless a response opposing the Motion is timely filed, the Court may grant the relief requested in the Motion without a hearing.**

4. This Court has jurisdiction over this Motion under 28 U.S.C. §§157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. §157(b)(2). Venue of this proceeding and this Motion is properly in this district pursuant to 28 U.S.C. §§1408 and 1409.

5. This motion arises under 11 U.S.C. § 365 and Bankruptcy Rule 6006. This motion is filed under Bankruptcy Rules 9013 and 9014, and Local Rule 9013. Debtor seeks an order authorizing rejection of certain aircraft leases.

6. Debtor has its principal place of business in Eagan, Minnesota. It is engaged in the business of operating a regional airline principally out of the Northwest Airlines, Inc. ("Northwest") hub cities of Minneapolis/St. Paul, Detroit and Memphis. Debtor intends to continue its operations in the ordinary course of business pending the reorganization of its financial affairs in this case.

7. On October 13, 2005 (the "Petition Date"), Debtor filed with this Court a voluntary petition for relief under chapter 11, title 11, United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). Debtor is continuing to operate its business and manage its properties as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

8. Debtor operates a fleet of commercial aircraft,¹ all of which are leased or subleased from third parties, including Northwest. As a part of its reorganization, Debtor continues to analyze its fleet requirements, maintenance requirements, labor costs, operating costs and other business goals and objectives. Through this analysis the Debtor intends to (i) rationalize costs relating to aircraft lease obligations and (ii) match the aircraft fleet to future operating needs.

¹ For purposes of this motion, the term "aircraft" includes both airframes and engines.

9. As of the Petition Date, Debtor had a fleet of approximately 100 aircraft, consisting of 3 Saab 340A turboprop aircraft, 49 Saab 340B+ turboprop aircraft and 11 Saab 340B turboprop aircraft, 35 Avro regional jet aircraft, and two (2) CRJ regional jet aircraft.

10. Northwest determines Debtor's flight schedule pursuant to the terms of the Airline Services Agreement dated August 29, 2005 ("ASA"). Northwest has reduced Debtor's flight schedule. If Debtor were to maintain its current fleet despite the reduction in the flight schedule, Debtor would be leasing aircraft that will be grounded and not generating revenue in order to offset aircraft rent and related costs. The Debtor needs to adjust the fleet size in light of Northwest's modification of Debtor's flight schedules under the ASA.

11. The aircraft described in **Exhibit A** ("Excess Aircraft") are Saab 340B aircraft leased by Debtor pursuant to leases ("Excess Aircraft Leases") with rental rates significantly higher than current market rent for Saab 340B aircraft. The Excess Aircraft constitute all of Debtor's Saab 340B aircraft. The Saab 340B model is less desirable and less efficient than the Debtor's Saab 340B+ aircraft. The Excess Aircraft are each leased from Pinnacle Airlines, Inc. ("Pinnacle"), a competitor of Debtor. Pinnacle has refused to sufficiently reduce the rent associated with the Excess Aircraft Leases such that it would be beneficial for Debtor to retain the Excess Aircraft. Finally, the Excess Aircraft Leases have short remaining terms, relative to the majority of Debtor's aircraft leases, such that rejection will result in less rejection damages against Debtor's estate.

12. For the foregoing reasons, the Excess Aircraft are the least desirable aircraft in Debtor's fleet. Debtor believes that sound business justifications support the rejection of the Excess Aircraft Leases.

13. The Debtor requests that the Court enter an order approving the Debtor's rejection of the Excess Aircraft Leases effective 11:59 p.m. Central Standard Time on January 11, 2006.

14. Debtor has agreed to make the Excess Aircraft available to Pinnacle immediately upon rejection at a location within the continental United States timely designated by Pinnacle. If Pinnacle does not timely designate a location, the Excess Aircraft will be parked at a location selected by Debtor and Pinnacle will be entitled to take possession from such location upon reasonable notice to Debtor.

15. Debtor may offer the testimony of John G. Spanjers, President and Chief Operating Officer of Debtor, and Thomas M. Schmidt, Vice President of Finance of Debtor, if such is necessary in connection with this motion.

WHEREFORE, Debtor, through its undersigned attorneys, respectfully requests that this Court enter an order authorizing Debtor to reject the aircraft identified on **Exhibit A**.

Dated: December 27, 2005

RAVICH MEYER KIRKMAN
McGRATH & NAUMAN,
A PROFESSIONAL ASSOCIATION

By /e Will R. Tansey (323056)
Michael L. Meyer (72527)
Michael F. McGrath (168610)

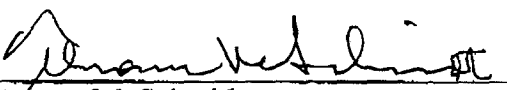
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Minneapolis, MN 55402

ATTORNEYS FOR DEBTOR

VERIFICATION

I, Thomas M. Schmidt, Debtor's Vice President of Finance, declare under penalty of perjury that the facts set forth in the foregoing Notice of Hearing and Motion for an Order Pursuant to Section 365 of the Bankruptcy Code Authorizing Rejection of Certain Aircraft Leases, are true and correct according to the best of my knowledge, information and belief.

Executed on: December 21st, 2005



Thomas M. Schmidt
Its Vice President of Finance

EXHIBIT A TO LEASE MOTION

Pinnacle Airlines, Inc., f/k/a Express Airlines I, Inc.
Sub-Subleases

<i>Manufacturer - Model -</i>	AIRFRAME: Saab-Scania Model 340B	ENGINES: General Electric CT7-9B	PROPELLERS: Dowty Rotol R390/4-123-F/27
U.S. Reg. No.	Serial Number	Serial Number	Serial Number
N360PX	340B-220	GE-E-785279 (Left) GE-E-785281 (Right)	DRG/10234/90 (Left) DRG/10235/90 (Right)
N361PX	340B-249	GE-E-785323 (Left) GE-E-785340 (Right)	DRG/1384/91 (Left) DRG/1921/91 (Right)
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N369PX	340B-295	GE-E-785419 (Left) GE-E-785276 (Right)	DAP/0006/92 (Left) DRG/7224/91 (Right)
N370PX	340B-300	GE-E-785440 (Left) GE-E-785445 (Right)	DAP/0010/92 (Left) DAP/0003/92 (Right)

<i>Manufacturer - Model -</i>	AIRFRAME: Saab-Scania Model 340B	ENGINES: General Electric CT7-9B	PROPELLERS: Dowty Rotol R375/4-123-F/21
U.S. Reg. No.	Serial Number	Serial Number	Serial Number
N365PX	340B-265	GE-E-785360 (Left) GE-E-785362 (Right)	DRG/3771/91 (Left) DRG/4402/91 (Right)
N368PX	340B-274	GE-E-785284 (Left) GE-E-785373 (Right) GE-E-785396 (Spare)	DRG/5155/91 (Left) DRG/5529/91 (Right)

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In re:

**MESABA AVIATION, INC.,
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Chapter 11

Debtor.

MEMORANDUM OF LAW

Debtor submits this Memorandum in support of its **Motion for An Order Pursuant to Section 365 of the Bankruptcy Code Authorizing Rejection of Certain Aircraft Leases**. A hearing is scheduled on **January 10, 2006** to consider the motion.

FACTS

The factual basis for this memorandum are set forth in the verified motion and incorporated herein. All capitalized terms not defined herein have the meaning ascribed in the Motion.

LEGAL ARGUMENT

The Proposed Rejection of Leases Is In The Best Interests Of Creditors And The Estate.

11 U.S.C. §365(a) provides that:

[T]he trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the Debtor.

The Debtor has the right, subject to Court approval, to reject the leases referenced in the motion.

11 U.S.C. §1107(a).

In order to obtain court approval of assumption or rejection of a lease under 11 U.S.C. §365(a), the Debtor must establish that, in its best judgment, assumption or rejection is in the best interest of its creditors and the bankruptcy estate. *See In re Audra-John Corp.*, 140 B.R. 752, 755 (Bkrcty.D.Minn. 1992); *N.L.R.B. v. Bildisco and Buildisco*, 465 U.S. 513, 520 (1984). Under this business judgment test, the movant must demonstrate that rejecting the contract will benefit the estate. The movant need not demonstrate that continued performance would result in an actual loss of value from the estate. *In re Audra-John Corp.*, 140 B.R. 752, 756 (Bkrcty.D.Minn. 1992). “The test embodies considerable deference to the proponent of the rejection, so long as it can articulate sound business reasons for repudiating the contract.” *Id.*

The Debtor has determined that the Excess Aircraft no longer fit the Debtor's projected flight needs as determined by Northwest. Continued performance under the Excess Aircraft Leases would result in Debtor leasing aircraft not utilized in its operations. The Debtor has determined that, under the existing lease terms, the Excess Aircraft Lease are above the current market for similar aircraft. Therefore the Excess Aircraft Leases are a detriment and a burden to the Debtor's estate. Rejection of the Excess Aircraft Leases minimizes the Debtors' post-petition obligations, is in the best interests of the Debtor's estate, and represents a proper exercise of the Debtor's sound business judgment.

WHEREFORE, the Debtor respectfully requests that this court approve rejection of the Excess Aircraft Leases as set forth in the motion.

Dated: December 27, 2005

RAVICH MEYER KIRKMAN
McGRATH & NAUMAN,
A PROFESSIONAL ASSOCIATION

By /e Will R. Tansey (0323056)
Michael L. Meyer (72527)

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ATTORNEYS FOR DEBTOR

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

MESABA AVIATION, INC.,
DBA MESABA AIRLINES,

Bky. 05-39258 (GFK)
Chapter 11

Debtor.

UNSWORN CERTIFICATE OF SERVICE

I, Will R. Tansey, declare under penalty of perjury that on December 27, 2005, copies of Debtor's:

1. Notice of Hearing and Motion for an Order Pursuant to Section 365 of the Bankruptcy Code Authorizing Rejection of Certain Aircraft Leases;
2. Memorandum of Law;
3. Proposed Order;

were served by sending a true and correct copy to each party 1) via electronic mail and 2) by sending a copy thereof by enclosing same in an envelope with first class postage prepaid and depositing same in the post office at Minneapolis, Minnesota, as marked on the attached Service List.

Dated: December 27, 2005

/e Will R. Tansey (323056)

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312 WALNUT STREET, SUITE 3500
CINCINNATI, OH 45202-4036

December 27, 2005

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

**MESABA AVIATION, INC.,
DBA MESABA AIRLINES,**

Debtor.

Bky. 05-39258 GFK
Chapter 11

**ORDER AUTHORIZING
REJECTION OF CERTAIN AIRCRAFT LEASES**

This matter came on for hearing on January 10, 2006, on the Debtor's Motion for An Order Pursuant to Section 365 of the Bankruptcy Code Authorizing Rejection of Certain Aircraft Leases. Michael L. Meyer appeared for the Debtor. Other appearances were as noted on the record. There being no objection to the motion by the United States Trustee or any other party in interest, and the court having determined that sound business justifications exist for the Debtor to reject certain aircraft leases as set forth in the Motion, it is hereby:

ORDERED:

1. That the Motion is granted and approved.
2. Pursuant to section 365 of the Bankruptcy Code, the leases applicable to the aircraft and related equipment identified on **Exhibit 1** ("Aircraft") are rejected effective 11:59 p.m. Central Standard Time on January 11, 2006.
3. To the extent necessary, the automatic stay provided by section 362 of the Bankruptcy Code is hereby modified as to the Debtor's estate to allow the parties to effectuate the provisions of this Order and to transfer, move and dispose of the abandoned or rejected Aircraft.

Dated: January ____, 2006

Gregory F. Kishel, Chief Judge
United States Bankruptcy Court

Pinnacle Airlines, Inc., f/k/a Express Airlines I, Inc.

Sub-Subleases

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